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26 January 1982

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Letter of Richard Lyng, Deputy Secretary
Department of Agriculture, to Admiral Inman

1. We stand behind the findings of our memorandum, Impact of US Grain Sanctions Against the USSR and Poland, concerning the potential impact of a US embargo on grain sales to the USSR. Specifically, we believe that in the absence of an embargo the USSR would import 45 million tons of grain during the Long-Term Grain Agreement year ending 30 September 1982. This figure reflects our belief that Moscow will import as much grain as Soviet ports and rail connections can handle in a twelve-month period. USDA, on the other hand, projects total imports at 41 millions tons.

2. Since we agree essentially on the size of imports from non-US sources, the difference in the two estimates of total imports translates into a major difference in estimates of purchases from the United States:

-- We estimate US exports at 18 million tons and non-US exports at 27 million tons.

-- Agriculture estimates US exports at 12 1/2 million tons and non-US exports at 28 1/2 million tons.

Because our projection of US sales is higher, our judgment regarding the potential impact of a US embargo -- the denial of not more than six million tons -- is also higher.

3. Despite these differences, all of our analysis has stressed the limited impact of an embargo. Indeed, we do not differ appreciably from the USDA in this respect. The USDA thinks the effect would be essentially zero. We said in the memorandum that an embargo "at most could reduce meat output by roughly 500,000 tons, or by about three percent. Some of this reduction would be offset by imports of meat above current intentions."

4. The referenced memorandum was ambiguous in its discussion of US exports. We should have made it clear that although the US had "authorized" the sale of 23 million tons of grain to the Soviet Union, we consider this a potential upper limit and that our current project is 18 million tons.

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5. Deputy Secretary Lyng is not correct in saying that our memorandum was accompanied by a statement that it was coordinated with USDA.

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R. M. Huffstutler
Director of Soviet Analysis

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James P. Lynch
Director of Global Issues

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